SECRET CONTROL

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY OF WAR
HEADQUARTERS, STRATEGIC SERVICES UNIT
CHINA THEATER
APO 907

5 April 1946

SUBJECT: INDIV Monthly Report for March 1946

TO : Commanding officer, Strategic Services Unit, China Theater, APO 907.

FROM : H. B. Smith, Chief, INDIV, Strategic Services Unit, China Theater.

I. OPERATIONS

CHINCHOW

The situation subsequent to the Russian withdrawal from Manchuria made it possible to increase the number of personnel at Chinchow, and therefore Postlethwait, Wachsmuth, Lucas, O'Conner, Buckowski, Singlaub, and Lyons were sent north to assist Col. Chandler. On 15 March Col. Chandler made a personal reconnaissance to Mukden for the purpose of reviewing the facilities available to him in establishing a team there. Conditions were satisfactory and Leith, O'Conner, Wachsmuth and Postlethwait were sent to Mukden on 20 March. In addition to maintaining liaison with the Nationalist Headquarters in Manchuria and observing conditions around Chinchow, this team operated native agent nets in Mukden, Harbin, Dairen and intermediate points.

TIENTSIN

This station served as base headquarters for the team in Manchuria, and a large part of their efforts were spent in servicing that team. This additional duty made it necessary to increase the personnel in Tientsin, and Nelson, Bienvenu, Buchkowski and Streilein were sent to assist Lt. Col. Kellis. In addition to their other duties, this team operated a native agent net in Manchuria to supplement the activities of the men at Chinchow.

PEIPING

This base did an excellent job of gathering intelligence from Peiping, and in addition, sent out numerous field teams. The most important was Dee Mission which spent more than a month in traveling through Chahar and Inner Mongolia observing conditions in this hitherto uncovered region. This mission returned to Peiping on 21 March. Capt. Ault and Grant made a field trip into Jehol Province, and T/R McCann was sent to Taiyuan. The activity at this base made necessary an increase of personnel, and Cattrell, McCann, Levy, Goodwin and Meyer were added to the men in Peiping. This base made tentative plans for the establishment of an SSU station in Kalgan, the Chinese Communist Capital. Lt. Col. Redford, with Chiles and an interpreter were sent to Peiping to make the final arrangements for this station, but their plans came to naught when notice of inactivation was received.

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TSINGTAO AND TSINAN

These stations continued operating as usual, sending in a flow of important intelligence from the Shantung Peninsula.

NANKING

This station continued to maintain liaison with official agencies of the Chinese Nationalist Government as they were being moved to Nanking. The strength of this station was reduced to one officer and one man when personnel eligible for discharge left Nanking. As a result, it was necessary to send all communications through Army signal facilities.

HANKOW

This station continued operating as usual, sending in a large volume of intelligence from central China. This team was especially valuable in providing detailed information of the activities of Chinese Communists in their area.

FORMOSA

This base operated as usual. Lt. Saban replaced Lt. Sample who was scheduled for another mission. By the end of the month, all personnel had been evacuated except Major Morgan and Lt. Saban. This team has maintained communications through the signal facilities of the Formosa Repatriation Group since 29 March.

CANTON

This base continued operating as usual, sending in a flow of intelligence from the entire Kwantung Province. The investigation of German activities in South China after VE day was completed.

HONG KONG

This small detachment served as an observation post in this important British colony. It also provided communications for the Canton Repatriation Group which was engaged in transporting Japanese from the Kwangtung Province.

HANOI

This small team, consisting of Major Buckley and Lt. Fuen, working under the cover of a G-3 Repatriation Group, observed the activities in northern French Indo China during the French re-occupation. It also furnished communications for the China Theater Search Detachment and the American Consulate. Major White with two E.M., from Saigon, were sent from this Headquarters to report through their facilities direct to Saigon for State Department's Mr. Reed.

CHUNGKING

Lt. Auerbach acted as political observer in the Chinese Capital of Chungking during the important meetings between the Chinese Nationalists and Communists, and did an excellent and thorough job of reporting although he was only able to remain in the city from 21 March to 1 April.

FUTURE PLANS

Toward the end of March, the inactivation date of SSU, CT, was set for 1 May, and plans were drawn up for the evacuation of field teams and the closing down of Headquarters. These plans affect the organization as follows:

Hanoi - A special plane was dispatched to Hanoi at the beginning of April to evacuate all personnel and equipment to Shanghai.

Hong Kong and Canton - Arrangements have been made with the U.S.Navy to transport these teams to Shanghai by water on or about 1 May.

Formosa - Radio station at Taihoku was closed on 30 March, and commo equipment, documents and certain personnel were flown to Shanghai on 1 April. Major Morgan and Lt. Saban remained on Formosa to complete reports, pay off agents and terminate contracts. These men and the remainder of the equipment will move to Shanghai on 20 April with the Formosa Repatriation Group.

Nanking - The small team now at Nanking will proceed to Shanghai on or about 20 April by rail.

Hankow - This team will be evacuated by LST to Shanghai on or about 7 April.

Peiping - Tientsin - Tsingtao and Mukden. - Arrangements have been made with the U. S. Navy to evacuate the teams in North China by water on or about 3 May. Mukden, Peiping and Tientsin stations will move to Taku by rail to meet the boat which will pick up the Tsingtao group on the way to Shanghai.

Headquarters - All possible personnel are being processed for shipment to the U.S. on the April boat. Processing and dissemination of intelligence will continue, however, until 1 May, and thereafter all raw intelligence will be submitted directly to Washington. The bulk of SI and X-2 personnel will be cleared for shipment to the U.S. on the May boat and will bring the files with them (except for such X-2 files as are to remain in China). A small residual group will remain in Shanghai until early June to wind up SSU activities.

II. INTELLIGENCE

A. Directives

In addition to general directives we have received numerous requests for special reports and spot intelligence. Requests have come to us for information on Mukden airfields, for detailed reports on Indo-China railways, for data on Russian order of battle in Manchuria and contiguous areas, and for evaluation of Chinese newspapers.

B. Reports

a. Cabled intelligence as reported in the daily situation report is increasingly broader in scope and more inclusive in content. To supply the data called for by various requesting agencies, materials of a political nature (chiefly from Chungking and Peiping) and on economic conditions (largely in Manchuria), have been incorporated into the daily cable. We have continued to forward Lambda cables as information in this category is received.

b. During March a new high was registered both in receipt of incoming raw intelligence and in the dissemination of finished reports. Field missions sent 574 raw items to Headquarters and the Reporting Board disseminated 271 YV reports. March dissemination included reports on a wider range of subject matter than heretofore, covering or touching upon virtually every aspect of the current scene in China, Manchuria, and contiguous areas and including economic, political and military information.

The following reports are illustrative of the coverage and indicative of the excellence of the disseminations:

YV-1123: Breakdown of the 18th Group Army
YV-1260: Chungking: Chen Li-Fu's Statement on Political Situation.
YV-1300: Shanghai: Soviet Resident's Account of Trip through USSR.
YV-1325: Chungking: Report on the Political Consultative Conference.
YV-1084: Manchuria: Soviet Education of Japanese.
YV-1095: Kalgan: General Conditions.
YV-1098: Eastern Shantung: Catholic Priests appear to be changing their attitude toward Chinese Communists.
YV-1226: Eastern Mongolian Autonomous Movement.
YV-1233: Central China: Routes of Acute infectious diseases.
YV-1303: Communist Party Organization in Army

c. Processed Intelligence

Accessions Sheets Prepared:

#36	3 March,	88 Documents
37	11 March,	43 Documents
38	18 March,	87 Documents
39	25 March,	135 Documents

Copies of these accessions sheets were sent to all SSU Field Bases in addition to the regular distribution. These sheets served as a guide to the field bases to enable them to see what headquarters did with their raw reports and to enable each field base to know what intelligence concerning the rest of China was being processed in headquarters.

d. Briefings: Lt. Saban--Formosa; Lt. Bienvenu--Tientsin; Capt. Singlaub--Manchuria; Lt. Eschback--Kalgan and Inner Mongolia; Mr. McCann--Peiping and Taiyuan; Major Blenka--Mongolia; Mr. Benson--Tientsin.

e. Intelligence Requests:

Manchuria and Korean Installations for G-2
Demonstrations at Pingshan Airfield for G-2
Former Japanese arsenal in Shanghai for G-2
Mukden Airfields for 10th Weather
Railroads in Indo-China for G-2
Manchurian Clique and Japanese East Asia League
Information on Russians in Manchuria; Russian order of Battle G-2
Sino-Soviet Agreement; Russian legal rights in Port Arthur and Dairen for 7th Fleet Intelligence.
Manchurian Airfields for Executive Hq.
Numerous requests from Theater and within SSU for information from biographical records.

III. COUNTER ESPIONAGE

SHANGHAI

1. Soviet

a. A list of seventy-seven leading Soviet officials in China with their addresses as of 15 March, was obtained. Organizations in which the chief personnel are listed include: Soviet Embassy, Soviet Consulate General, Military Attache's Office, Torgpred, TASS, Exporthleb, Softorflot, and Intourist.

b. The propaganda bureau of the USSR is reported to be paying special attention to the development of propaganda activity among the Jewish refugees in Shanghai. A special section has been organized for this purpose at the Russian radio station XRVN. It is further noted that the aforementione bureau has taken charge of the German refugee newspaper, "The Journal", and, at the present time, all material printed in that paper is subject to censorship by TASS.

c. Soviet agents have reportedly been trying to organize a union among White Russians employed as drivers for the American forces. Soviet agents are also reportedly conducting propaganda work among the members of the Auxiliary Military Police.

d. Soviet occupation forces in Manchuria have reportedly set up training centers for the political re-education of Japanese.

2. Chinese

a. Underground newspapers, reportedly communist-sponsored, have been circulated in the Hongkew District of Shanghai. Also being circulated in Shanghai are printed handbills with workings of a fascist nature.

b. The Kuomintang has organized a political movement among the Japanese in Shanghai, the main objectives of which are the combatting of communism and the attaining by the Kuomintang of a part in Japanese affairs.

c. Chinese intelligence is reported to be recruiting additional foreigners, particularly White Russian Emigrants, to be used as agents.

d. The Yeh An Investment and Development Company, Ltd., located in the Wing On Building, Shanghai, is allegedly a cover organization for the sending abroad of Chinese Intelligence Operatives.

3. Japanese

a. Reports continue to be received to the effect that Japanese are endeavoring, and in some cases succeeding, to transfer their assets from China to Japan.

b. Another underground Japanese organization is said to have been formed in Shanghai -- the "One Star Society". It is a Buddhist organization, having direct connection with the Black Dragon Society, and it was established shortly after V-J day by one Yoshida, former manager of a dye factory. It is attempting to enlist Chinese members in the hope of fostering pro-Japanese sentiment.

c. Three reported Japanese fascist organizations have elected committees to spread anti-American propaganda using such devices as playing up an alleged agreement among Americans, British and Soviets to divide China into three spheres of influence.

4. German

a. A statement was obtained from Major General Eugen Ott, former German Ambassador to Tokyo. He furnished information relative to German diplomatic policies in the Far East and his information served to verify considerable information relative to German activities which had previously been received from other sources.

5. Argentine

a. One method by which Germans may transfer money to Argentina, a method said to be easily and reasonably arranged through consultation with Arce, Argentine Ambassador to China, is the following. The money is transferred to a Chinese name in New York and then to another Chinese name in Argentina.

b. Arce is reported to have stated to friends that his government has charged him to look for "talent", and that a German who is "good enough" will be cleared and sent to Argentina without charges of any kind.

PEIPING

1. Soviet

a. A report was submitted on four Soviet planes which landed at Peiping between September, 1945 and March, 1946. None of the four planes had permission of Chinese authorities to land.

b. It is reported that Soviet personnel have been traveling without restriction through North China, Manchuria and Mongolia. Soviet planes have flown at will into Peiping and Tientsin airfields, arriving unannounced and landing without clearance from Marine guards. Soviet officials, however, have evidentally had previous knowledge of flights, since all planes are met upon landing, with proper transportation. Passengers are removed, driven away by car, and then returned, without checking or identification. The planes have taken off as they landed, without checking and without announcement.

c. The Soviet Consulate is establishing a school in the Soviet Legation Quarter Compound. About thirty young Soviet graduates of middle school will be brought from Russia to Peiping in the near future to be taught English, Chinese and Mongolian, with the former two compulsory and the latter optional. Director of the school is to be Pankrateff, First Secretary of the Soviet Consulate.

2. Chinese Communist

a. From a communist sub-source comes the allegation that the communists are working for both the Soviet Consulate in Peiping and the Eighth Route Army. This sub-source also advised that the Eighth Route Army will soon start terrorist activities against Americans.

b. Three communist organizations, according to a C-3 report, have sent agents into Peiping. Within the city there is a communist commercial and industrial commission detailed to buy and sell products for the communists and to gather commercial intelligence. A controlling committee supervises the activities of other committees.

3. German

a. Statements were obtained from all members of the Ehrhardt Bureau in Peiping and a complete report is currently being prepared.

TIENTSIN

1. Soviet

a. A B-2 report indicates that the Soviet propaganda system received instructions to intensify activities in both European and Chinese fields in the Tientsin area.

b. From a Tai Li agent came the report that the Tai Li organization definitely is closely watching Soviet activities in the Tientsin area.

c. Information concerning Soviet espionage training schools was received from an informant who had previously been engaged in counter espionage work in Harbin. The information indicates that training of soviet agents for intelligence, counterespionage, and propaganda work was -- and probably still is being -- carried out in established schools at Habarovsk near Vosvshiloff-Ussuriysk, Vladivostok, and Komsomolsk. Russian, Chinese and Mongolian nationals were trained as saboteurs, intelligence and counter espionage agents, and labor union agitators. In peacetime, the training required eighteen months; during the war, eight months.

2. Japanese

a. A Japanese "Democratic Party" was formed in the Tientsin-Peiping area by Amo Bunkichi, who claims to have the support of the Americans. The party has not gained much of a following, partly because of Amo's poor leadership and shady reputation and also because the Japanese are generally unenthusiastic about such movements when faced with repatriation.

3. German

a. The Tientsin and Tsingtao Offices reported that letters received from Germans in those areas indicated that certain German officials in Manchuria had been taken to Russia and that their fates are as yet unknown. Other Germans are reported to have been conscripted into labor battalions by the Russians for work in Siberia.

4. Chinese

a. On orders from higher command, Chinese Nationalist Forces have recently recruited Japanese who were in intelligence work for their own intelligence staffs. Few, if any, Japanese went voluntarily to the Chinese Army.

CANTON

a. The Canton Office has continued to prepare and process reports on collaborators, smugglers, etc., in that area.

b. A report on the political situation in Macau was prepared at the Canton Office.

FORMOSA

The bitter feeling of Formosans toward the Japanese is lately decreasing because of Formosan animosity to the Chen Yi government, which is now blamed for poor administration, high prices (causing starvation), and the increase in robberies. Formosans are dissatisfied also because they are prohibited from engaging in political activity, except in government-sponsored movements. However, despite the severe criticism of the Chen Yi government, Formosans say that there will not be any movement directed against the Chinese because they (the Formosans) feel that Formosa is part of China. Nevertheless, they do believe that Chen Yi must be removed in accord with their desire for government by Formosans who know the customs, speak the same language, and not interested solely in personal gain.

IV. LANGUAGE SECTION

1. Important documents translated by this department:

   a. Communist Activities (YKB #3374)
   b. Economic Aggression in China by the Japanese Army (YKB 2674)
   c. Name List of Members of MANWA
   d. The Desire of Japanese Army Leaders in China for a Clash between the U.S. and Russia.
   e. Inner Mongolia Problems (YKB #3606)
   f. YOSHIDA Toyu's Personal History (YKB #3513)
   g. Annamite Agitation in China (YKB #3839)
   h. Activities of Bouvier, a French Citizen (YKB #3957)
   i. A Chart of the Communist Educational System (YKB #3960)

2. The following are pertinent facts concerning the Language Section during the period of this report.

   a. One hundred twenty documents were translated.
   b. One hundred sixteen documents were submitted for translation.
   c. Nine documents were submitted for processing.
   dd Fifteen requests for interpreters were received.

3. Personnel:

   a. At present the Language Section numbers 18. (3 officers, 6 EM and 9 civilians).
      Japanese Language Section.....5 EM, 4 civilians
      Chinese Language Section.....1 EM, 4 civilians
      Language Section.....1 Typist

   b. T/Sgt Calvin Kobata, S/Sgt Malcolm Nishida and Mr. Shun on mission to Peiping.

   c. Mr. Harrison on mission to North China.